Nova Scotia Department of Finance

Annual Accountability Report for the year 2000/01

December, 2001

NOVA SCOTIA
Department of Finance

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Department of Finance

Annual Accountability Report for the Fiscal Year 2000/01

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Accountability Statement

The accountability report of the Department of Finance for the year ended March 31, 2001, is prepared pursuant to the Financial Measures Act (2000). The Act requires the reporting of outcomes against Department of Finance business plan information for the fiscal year. The reporting of Department of Finance outcomes necessarily includes estimates, judgments and opinions by Department of Finance management.

We acknowledge that this accountability report is the responsibility of Department of Finance management. The report represents, to the extent possible, a complete and accurate representation of outcomes relative to the goals and priorities set out in the Department of Finance business plan for the year.

original signed by
Honourable Neil J. Leblanc
Minister of Finance

original signed by
William D. Hogg
Deputy Minister

Message from the Minister

The Department of Finance is pleased to produce its first Accountability Report under the provisions of the Financial Measures Act of 2000.

The outcomes expressed in this report are based on the priorities and goals set forth in the Department's business plan for 2000-2001.

The most significant impact from Government restructuring on our department, resulted in the transfer of Procurement, from the Department of Finance to the Department of Transportation and Public Works.

In the 2000-2001 fiscal year, the Government, through the Department of Finance, fulfilled its commitment to present open and transparent financial accounting to the people of Nova Scotia. Our full compliance with Generally Acceptable Accounting Principles (GAAP) ensures credibility and accountability. During this time, a comprehensive Tax Credit Review of tax incentive programs resulted in improvements, and in addition, the new Tax on Income system for Personal Income Taxation was implemented.

Most importantly, all our activities were successfully directed towards controlling government spending and reducing the deficit. This was accomplished while providing professional and quality service to the taxpayer. All aspects of the Department's core functions are aimed at achieving fiscal stability and building better government.

Honourable Neil LeBlanc
Minister of Finance

Impact of Government Restructuring

Restructuring activities for the Department of Finance include the following:

- Procurement was transferred to Transportation and Public Works
- Pensions Regulations was transferred to Environment & Labour
- Corporate expenditure control/ monitoring was transferred to Treasury and Policy Board
- Internal audit function for all of government was centralized within the Department of Finance
- Selected staff reductions throughout the Department

As of March 31, 2001, staff in the Department totalled 219.7 (annualized person years), which is a net reduction of 5.7 from the previous year due to the transfer out of functions to other departments and the transfer in of staff due to the centralization of the corporate internal audit function. Many of the above restructuring activities, initiated in 2000-01, will be fully implemented in 2001-02.

Department Accomplishments

The Department of Finance mission statement is "to establish a fiscal climate conducive for economic growth and to provide central agency support and policy direction for effective management of the Province's finances, government procurement, and pensions administration." The Department has established six goals to support this mission statement:

- To enhance financial accountability in the management and control of the Province's finances.
- To enhance Nova Scotia's long-term fiscal position, provide for fair and efficient taxation and promote economic growth in a strategic way that balances the social responsibilities of government, debt reduction, and a lowering of the tax burden.
- To provide a core set of high quality corporate services and infrastructure that supports the efficient and effective management of the Province's public resources, including: government accounting, payroll, pensions, budgeting, treasury, procurement, statistics, and internal audit.
- To achieve effective money management that maximizes return on investments and minimizes debt servicing costs, within acceptable risk tolerances.
- To ensure a responsible regulatory environment that safeguards pension entitlements and ensures fair and competitive procurement.
- To foster an environment that values its clients and its employees.

The Department's goals directly support the Government's priorities as reflected in the Throne Speech and Government's stated commitments. Many activities within each of the core business functions of the Department reinforce these linkages. Economic development is enhanced with the overall fiscal health of the Province and through effective taxation and procurement policies. Building a healthier province and developing our human potential is supported by taxation policy and programs that favour low income households as well as balancing the needs of social program funding with other fiscal requirements. Participation in reviewing programs directly supports the Government's directions as does the development of accountability mechanisms of legislation and regulations. As an integral part of the Department's culture, Finance is a dynamic organization that reviews its services on an ongoing basis and responds to client needs and feedback within its fiscal capacity. All aspects of the Department's core functions are aimed at achieving fiscal stability and building better government.

In order to help achieve its goals, the Department set a number of priorities for 2000-01. The following is a listing of those priorities and an overview of the department's accomplishment for each one.

Achieving Financial Accountability

- Enhance accountability and governance structures as they relate to public policy and administration of financial resources through the continued improvement of the Province's financial management policies and procedures.

  Accomplishments:

  - Introduced Government Accountability legislation in the *Financial Measures (2000) Act* that would require the government to submit four year consolidated fiscal plans and a balanced budget starting in fiscal year 2002-03.
  - Require government service organizations and government business enterprises to submit business plans to the Minister.
  - Enacted legislation that prohibits government service organizations and government business enterprises, including regional school boards and district hospital authorities, from incurring a deficit.

- Improve overall fiscal management by producing more relevant and timely financial reports and by implementing recommendations of the Auditor-General in a timely manner.

  Accomplishments:

  - Published four year end quarterly reports in 2000-01 as required by legislation within 90 days of the end of the quarter.
  - Released 1999-2000 audited Public Accounts on December 18, 2000. These financial statements continued building on the Province's transition to fuller compliance with generally accepted accounting principles, e.g. reporting of Tangible Capital Assets and consolidation of school and health boards.

- Strengthened monthly forecasting requirements by departments to ensure that variances to budget are identified in time to address the related issues.
- Reviewed in detail the 1999 Auditor General's Report dealing with Liability and Risk Management Function, and implemented many of its recommendations.

- Continue to develop reporting and control instruments to ensure full transparency and accountability in the procurement process.
  - This responsibility has been transferred to the Department of Transportation and Public Works.

Enhancing the Province's Fiscal Interests

- Effectively represent Nova Scotia's interests in federal-provincial negotiations and discussions respecting such issues as national trade deliberations, transfer programs, tax collection agreements, and the statistical databases which support them.

  Accomplishments:

  - Researched, analysed and represented the province's interests at numerous Federal/Provincial/Territorial as well as Provincial/Territorial meetings throughout the year respecting such key issues as:
    - the existing Fiscal Imbalance within Canada between the Federal government and the provinces and the urgent need for additional health care funding to finance essential programs and services.
    - renewal of the Fiscal Arrangements Act between the Federal government and the provinces respecting the equalization transfer program for 2004-05.
    - continued work on the development of a new Tax Collection Agreement between the province and the Government of Canada
- Continue to enhance the province's ability to provide for accurate and timely economic and fiscal forecasts to facilitate effective business planning by government.

  Accomplishments:

  - Developed a new economic forecasting model for the province as well as enhancements to the province's capabilities for econometric impact analysis.
  - Continued enhancements to the province's revenue forecasting models to more accurately reflect updated fiscal and economic trends and changes in the system of provincial income taxation.

- Provide analysis and advice on emerging and ongoing taxation issues such as working to enhance the Province's control over its tax systems, effectively representing Nova Scotia at federal-provincial tax policy discussions, implementing the Tax on Income System, and continuing with the Tax Credit Review process.

  Accomplishments:

  - Implemented the new Tax on Income system for Personal Income Taxation within the province (TONI).
  - Completed Phase II of the comprehensive Tax Credit Review of the province's existing tax incentive programs and implemented changes designed to improve their effectiveness within the Nova Scotia economy.
- Develop a strategy for the long-term reduction of debt in the Province.

  Accomplishments:

  - Produced a four year fiscal plan that eliminates the structural deficit starting in 2002/03 as a fundamental first step.
  - Improved financial statements to provide a comprehensive picture of the province's fiscal position through consolidation of financial obligations by all entities accountable to government.
- Develop a strategy that will reduce the Province's exposure to financial risk on such items as capital market exposures in foreign exchange and unforesee.. events.

  Accomplishments:

  - Adopted conservative policy parameters (not to exceed 20% of the portfolio).
  - Reduced foreign market exposure to 30.8% as of March 31, 2001 from a high of 72% in 1992. Target of 20% or below will be met by Fiscal Year 2004-05.
- Develop and implement a strategy to optimize exposure arising from off-balance sheet transactions (guarantees, leases, etc.).

  Accomplishments:

  - Developed a tracking and review process to optimise this exposure within Department of Finance. The extent to which individual agencies, boards and commissions (ABCs) are permitted to assume off balance sheet risk exposures has the potential to limit the effectiveness of the strategy.
- Maintain or enhance funding positions of the Teachers' Pension Plan and Public Service Superannuation Plan.

  Accomplishments:

  - Benchmarked and outperformed financial markets by about 4.3%. Because of this better than average performance, the funding positions of the two plans decreased only slightly, despite a year in which the markets experienced significant downturns. The teachers'

Pension Plan went from a funded position of 95.4% to 94.7% and the Public Service Superannuation Plan went from 103.4% to 98.1%.

- Develop a set of objective criteria for Cabinet to assess loans and guarantees related to business development programs.

  Accomplishments:

  - Developed the criteria which has been approved by Cabinet for staff assessment and recommendations related to loans and guarantees for business development programs.

Providing Corporate Services

- Review and revise procurement processes, documentation, and support systems to maximize organizational effectiveness, efficiency, and service quality to meet quality assurance and service standards.
  - This responsibility has been transferred to the Department of Transportation and Public Works.
- Where appropriate, extend procurement and CFMS service offerings to include the MASH sector.

  Accomplishments:

  - Extended an offer to the MASH sector that will allow them to access SAP licences free of charge. This allows for the development of a set of core competencies and standardization of resources across the broader public sector. The MASH sector can take advantage of the province's procurement services through the Internet or direct contact. Extending the province's procurement services to the broader public sector allows the MASH sector to benefit from bulk purchases, standing offers, tendering expertise and leasing agreements.
  - Procurement activities have been transferred to the Department of Transportation and Public Works.
- Review business practices and plans regarding the distribution of government and public sector tenders to sustain a fair and open procurement process with emphasis on e-commerce.
  - This responsibility has been transferred to the Department of Transportation and Public Works.
- Implement recommendations related to restructuring government warehousing and logistics operations.
  - This responsibility has been transferred to the Department of Transportation and Public Works.

- Create advisory task forces related to government procurement policies and practices for both the private sector and MASH sector.
  - Procurement has been transferred to the Department of Transportation and Public Works.

- Provide guidance and support to departments and agencies on significant accounting, procurement, and financial issues.

  Accomplishments:
  - Reviewed and updated government-wide accounting policies and procedures to be implemented in the 2001-02 fiscal year.
  - Procurement has been transferred to the Department of Transportation and Public Works.
- Co-ordinate improvements in service delivery in payroll and benefits administration.

  Accomplishments:
  - Reviewed the payroll administration function and alternative service delivery options. Continued internal operation with reduced staff was found to be the most cost-effective way of delivering this service.
- Improve the co-ordination of the Internal Audit functions across the provincial government.

  Accomplishments:
  - Centralized the Internal Audit function within the Department of Finance. Audit activities are being co-ordinated by a Deputy Minister Steering Committee.
- Improve the efficiency and effectiveness of the delivery of pension services to plan members and beneficiaries.

  Accomplishments:
  - Initiated upgrading of the computerized pension administration system.
  - Improved communications with members through enhanced web services.
  - Reduced public service refunds backlog by 50%.

Effective Money Management

- Develop and implement a public capital risk allocation methodology.

  Accomplishments:
  - Continue to review options and issues related to developing such a methodology.
- Integrate treasury management systems and capital market information systems to enhance the overall control, monitoring, and performance of the Liability Management and Investment Divisions.

  Accomplishments:
  - Developed procedures to assess and monitor credit risk of investment partners to ensure that risk exposure is within acceptable limits.

- Formed an Operations Sub-committee to handle settlement and operations issues as well as review and improve procedures.

- Upgrade Capital Markets Financial Information systems to enhance investment and risk management decision making.

  Accomplishments:

  - Enhanced bond management capabilities used for both asset and liability management by implementation of the BOND EDGE system.

- Develop and implement an effective risk review process in respect of risk assets booked directly by the Province or through Crown agencies and corporations.

  Accomplishments:

  - Initiated research and review of issues related to this priority. Obtained information from other jurisdictions that have experience in this area.

Ensuring Responsible Regulatory Environment

- Effect amendments to the *Pensions Benefits Act* to achieve the goals of harmonization with other jurisdictions, clarification of provisions and other measures addressing the needs of plan members and sponsors.
  - This responsibility has been transferred to Environment & Labour.

Developing a Quality Organization

- Contribute to the quality and professionalism of human resource management in the department.

  Accomplishments:

  - Provided effective quality human resource advice and assistance to management in dealing with human resource management issues within the department.

- Continue to develop a productive and skilled workforce in a healthy and safe work environment.

  Accomplishments:

  - Assisted management in determining appropriate qualifications and recruitment strategies when filling vacant positions.
  - Provided assistance to management and employees in securing appropriate training and development information for the purpose of employee development and skill maintenance.

- Acquire and develop technologies to improve productivity and output quality.

  Accomplishments:

  Implemented a variety of system upgrades designed to support accessability, speed, availability, and performance of IT systems. This included installation of new desktop operating systems (Windows 2000); provision of wireless network connectivity

(increased availability/access to the Provincial network for clients); implementation of a technology refresh of network components and PC's; and provision of access to Network Fax services.

- Continue to improve staff training opportunities to provide the skills necessary to achieve the Department's strategic goals.

  Accomplishments:

  - Ensured that up-to-date information on training and development opportunities were made available to staff.
  - Provided feedback on training initiatives and staff training needs to the Staff Training and Development Division of the Public Service Commission to assist them in delivering the types and level of training required.

Human Resources

During 2000-2001 the following key initiatives were undertaken to support the Department of Finance:

- Improve the service in human resource program delivery.

  Accomplishments:

  - Ensured appropriate staffing levels required by client base.
  - Provided continuous learning opportunities to HR staff.
  - Encouraged management and employee feedback for areas of improvement
- Deliver training and provide consultative support to managers in performance management and succession management.

  Accomplishments:

  - Provided management and employees with training and coaching on an as needed basis in the area of performance management. Thus far no formal program has been launched for succession management.
- Establish goals/plans for management of short term illness and LTD in support of the implementation of corporate disability management policy.

  Accomplishments:

  - Worked with senior staff on management of short term illness and related issues. Worked closely with case management staff of Maritime Life (LTD) in assisting employees returning to work from LTD.
- Assist with organizational review and restructuring as required.

  Accomplishments:

  - Participated in organizational review and restructuring activities in the Department.

Information Technology

During 2000-01 the following key initiatives were undertaken to support the Department of Finance:

- Work closely with the department to deliver an IT Strategy to address the IT-related objectives within the Business Plan.

  Accomplishments:

  - Worked with senior management in the department to ensure prioritization and alignment of IT projects with departmental business plans.
- Enhance the department's operational abilities through the delivery of value-added information systems and services.

  Accomplishments:

  - Provided support for the following business applications/initiatives:

    Salary Analysis System

    Documentation of Financial Statements Preparation process.

    Enhancements to the PCDOCs-based Correspondence Management system.

    Resource Management system.

    Pension Benefits.
- Continue to support and safeguard the department's existing production information systems and technologies.

  Accomplishments:

  - Performed regular upgrades to network and desktop software to ensure compatibility, stability, reliability, and desktop and network security.
- Manage the province's CFMS environment.

  Accomplishments:

  - Worked with the CFMS Administrator to assist in the move to the EDS Data Centre while maintaining connection to the provincial government network.

Financial Services

During 2000-2001 the following key initiatives were undertaken to support the Department of Finance:

- Meet the department's needs with respect to financial analysis in business case development, user fee recoveries, cost/benefit analysis, business planning, estimate and forecast planning and other projects.

  Accomplishments:

  - Contributed to the Department's business planning which included participation in development of the business plan and financial analysis related to government restructuring and meeting targets.
  - Analysed departmental expenses and recoveries, on a monthly basis, and prepared a Monthly Forecast Report for Senior Management.

- Continue to streamline/ensure efficiency of financial procedures and processes within the Department of Finance in compliance with PSAB government accounting guidelines.
  Accomplishments:
  - Provided accurate financial information on a timely basis, as per audit requirements, to Government Accounting Division which assisted in their preparation of consolidated financial statements.
- Support government's agenda with respect to implementation of major revisions to financial management accounting policies.
  Accomplishments:
  - Implemented and ensured adherence to changes in limits for operational spending, the new Travel and Moving and Relocation policy, and a new tax ruling issued by The Canada Customs and Revenue Agency (CCRA).
- Continue utilization of the Asset Management Module of the Corporate Financial Management System (CFMS/SAP) in accordance with the corporate Tangible Capital Assets Policy. Ensure appropriate and accurate recording of capital assets resulting in information which will increase efficiency in the management of capital assets.
  Accomplishments:
  - Ensured the accurate recording of the purchase of computer hardware and software in accordance with the Tangible Capital Assets (TCA) Policy.
- Continue development and implementation of appropriate procurement procedures and processes for the Department of Finance. Continue information sessions/training for departmental and accounting staff to ensure appropriate knowledge and accountability with respect to corporate procurement policy.
  Accomplishments:
  - Implemented and ensured adherence to the revised Procurement Policy and introduction of the fleet/fuel card program introduced by the Procurement Branch.

Financial Results

Core Business Function	Budget Allocation (thousands) 2000-01 Estimate	Budget Allocation (thousands) 2000-01 Actual	Explanation of Variance
Senior Management Minister and Deputy office, Legal Services, Communications, Fiscal Strategy including the functions of Assistant Deputy Minister, Planning & Budgeting, and Policy Co-ordination	1,456	1,247	Staff vacancy savings and unexpected recoveries
Controller Controller's Office including Government Accounting, Payroll, Internal Audit and Corporate Financial Management System (CFMS)	2,729	2,880	Increased software maintenance costs for SAP licences
Investments, Pensions & Treasury Services Exec. Director, Investment Management, Treasury Services, Pensions Services and Regulation, Liability Management and Cash Management	830	767	Staff vacancy savings
Policy Development Exec. Director, Fiscal Policy, Economic Policy & Analysis, and Statistics	1,609	1,520	Staff vacancy savings and general operating efficiencies.
Procurement Services Exec. Director, Purchasing, Public Tender's Office, Supply Services, and Technology Services	1,317	1,480	Increased costs as result of delays in implementing the reorganization.
Corporate Services CSU functions of Human Resources, Information Technology and Financial Services	2,804	2,431	Staff vacancy savings and general operating efficiencies.
Prior Years' Recoveries	(1,447)	(1,621)	Recoveries higher than budgeted.
Net Program Expenses Tangible Capital Assets Adjustment Net Program Expenditures	9,298 (412) 8,886	8,704 (412) 8,292	See note below

Note: Savings were realized in vacancies throughout the department, general operations and Prior Years' Recoveries, offset by an increase for SAP licenses and the delay in implementing the Procurement Division re-organization. Overall, the Department of Finance net program expenditures in 2000-01 were $594,000 less than budgeted and $234,000 less than in 1999-2000.

NOVA SCOTIA DEPARTMENT OF FINANCE